ECONOMIC COMMENTARY

Alberta led all Provinces in Economic Growth in 2012

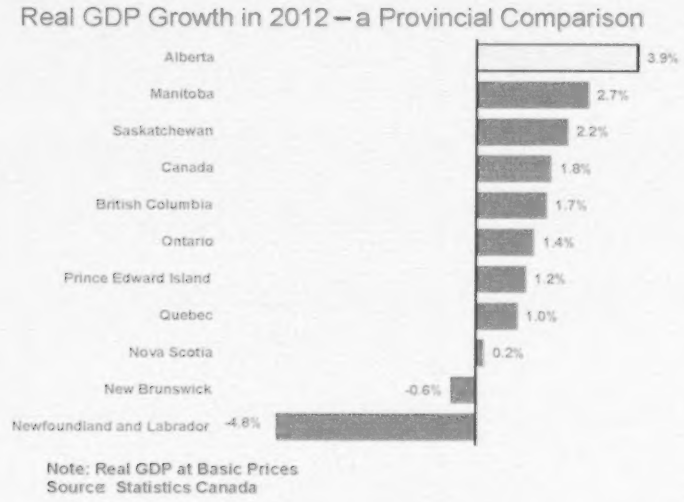
June 10, 2013

Highlights:

After leading all provinces in economic growth in 2011, Alberta again led in 2012 as Alberta's real gross domestic product rose an estimated 3.9%. In 2012, much of Alberta's strong economic performance was either directly or indirectly tied to its large and expanding oil and gas sector.

Alberta
Government

According to Statistics Canada's most recent release on provincial GDP by industry, Alberta again led all provinces in economic growth in 2012: Alberta's real gross domestic product (GDP)[1] rose an estimated 3.9% in 2012 (from 2011). Manitoba was second at 2.7%; British Columbia grew by 1.7% and Ontario by 1.4%. Alberta also registered the fastest growth of all provinces in 2011 with a 5.1% increase. Alberta's GDP now exceeds its pre-recession high that was reached in 2008 by 8.6%.



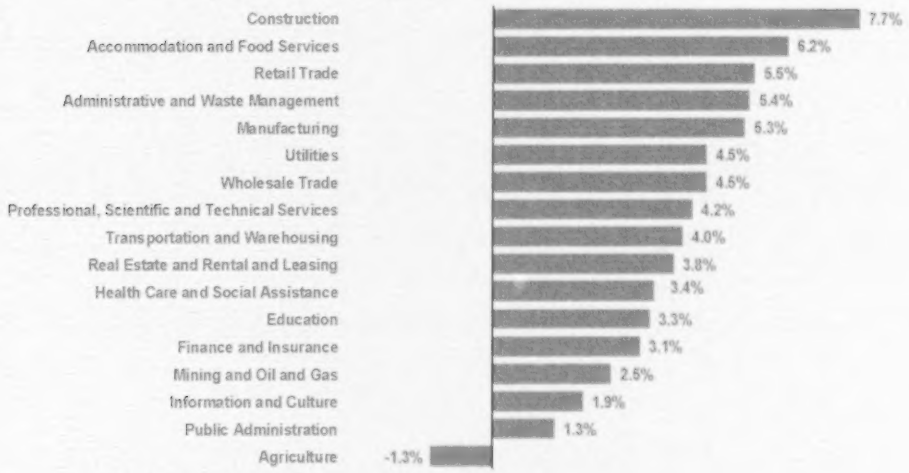
The sectors with the highest GDP growth in 2012 were:

- Construction up 7.7%
- Accommodation and food services up 6.2%
- Retail trade up 5.5%
- Administrative and support, waste management up 5.4%
- Manufacturing up 5.3%
- Utilities up 4.5%
- Wholesale trade up 4.5%
- Professional, scientific and technical services up 4.2%

Alberta's largest sector, mining and oil and gas, grew by 2.5%. In 2012, GDP for the oil sands sector increased by an estimated 9.0%, while conventional oil and gas extraction output rose 4.2% on a strong rebound for conventional crude oil. Oil and gas services, such as drilling and exploration, fell by 23.7% as a result of weak oil and gas prices. The oil sands sub-sector now accounts for between 9% and 10% of Alberta's total GDP, which would make it Alberta's third largest sector behind conventional oil and gas extraction and construction.

[1] All GDP growth rates in this commentary are derived from GDP estimates at basic prices and in chained 2007 dollars

Real GDP Growth in 2012 in Alberta's Major Sectors



Note: Real GDP at Basic Prices
Source: Statistics Canada

Construction GDP increased by 7.7%, partly because of very robust growth for the electric power engineering construction sub-sector which grew by 47.3%. Output in construction's largest sub-sector, oil and gas engineering construction, increased 6.4%. Residential building construction also saw strong growth of 13.8% in 2012.

Although the manufacturing sector saw its output decline by 16.5% during the global recession, it had more than regained these output losses by 2012, when GDP exceeded the 2007 level by 5%. Manufacturing GDP rose 5.3% between 2011 and 2012. The computer and electronic products sub-sector had the highest growth as its GDP increased 35.9% in 2012, but this is also one of the smallest manufacturing sub-sectors in Alberta. Very strong growth was also registered for wood products such as lumber (up 15.5%); non-metallic mineral products including cement and concrete (up 15.3); and fabricated metals (up 15.2%). The largest sub-sector, machinery, increased strongly by 9.2%, because of very strong growth for oil and gas field machinery.

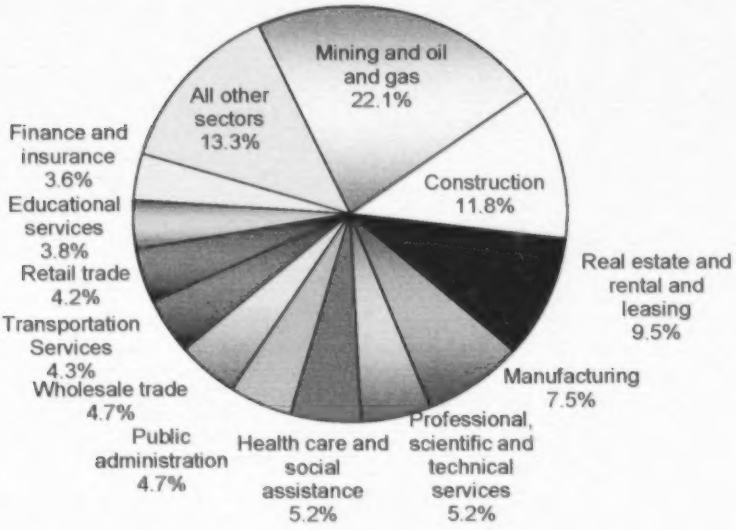
GDP for the real estate and rental and leasing sector grew by 3.8% in 2012. The professional, scientific and technical services had GDP growth of 4.2% in 2012. This was the result of a 9.9% increase for its largest sub-sector, architectural and engineering services, which is dominated in Alberta by the engineering services to the oil and gas sector.

Health care and social assistance GDP rose 3.4%: ambulatory health care services had output growth of 2.9% and hospitals of 3.6%. Public administration had 1.3% GDP growth as a 3.9% decline for federal government was more than offset by increases of 3.1% rise for municipal government and 2.2% for provincial government.

Agriculture was Alberta's only sector to register a GDP decline in 2012 as output fell by 1.3% in 2012: crop production declined by 2.3% as average yields for all major crops were lower in 2012 than in 2011.

In 2012, the mining and oil and gas sector was again Alberta's largest industry, accounting for 22.1% of total Alberta GDP (in current dollars[2]). However, this sector's share fell from 24.8% in 2011 to 22.1% in 2012, mainly because of much lower natural gas prices. The construction sector was Alberta's second largest sector in 2012 with an 11.8% share. The construction sector has gradually increased its GDP share from 7.7% in 2002 to 11.8% in 2012 because of very strong investment growth, especially in conventional oil and oil sands projects.

Alberta's Largest Industries in 2012
GDP in Current Dollars


Mining and oil and gas 22.1%
Construction 11.8%
Real estate and rental and leasing 9.5%
Manufacturing 7.5%
Professional, scientific and technical services 5.2%
Health care and social assistance 5.2%
Public administration 4.7%
Wholesale trade 4.7%
Transportation Services 4.3%
Retail trade 4.2%
Educational services 3.8%
Finance and insurance 3.6%
All other sectors 13.3%

In summary, Alberta's strong economic performance of 2012 was driven by large GDP increases for the oil and gas extraction sector as well as the sectors that provide goods or services to the oil and gas sector, such as engineering construction, metals and machinery manufacturing, and engineering services.

[2] GDP estimates in current dollars have not been adjusted for price changes and reflect that year's prices